



## **PLACESHAPERS RESPONSE TO DCLG & DWP CONSULTATION**

### **FUNDING FOR SUPPORTED HOUSING**

**JANUARY 2017**

#### **1. INTRODUCTION**

- 1.1 PlaceShapers is a national network of community-based housing associations formed in 2008. Currently comprising 117 members of varying types and sizes, between us we own or manage nearly 850,000 homes, with over 36,000 more in the pipeline. Over 100,000 of these are currently supported housing and care units (over 20% of housing association provision), with nearly 77,000 being homes for older persons. Our members include many for whom providing supported and sheltered housing is core business and for whom the outcome of this consultation is critical.
- 1.2 Details of our members and more about what we do can be found on our website: [www.placeshapers.org](http://www.placeshapers.org)
- 1.3 We have welcomed the opportunity to engage with the NHF, our local authority partners and others as well as Government on the need for a secure funding framework for supported housing and many of our members individually are contributing to this work. For the purposes of this formal consultation, we brought together a number of our key practitioners to discuss the questions posed together with their implications and help produce a collective PlaceShapers response. This document results from that process. Many of our members will respond individually to the consultation too and in doing so will set out in more detail their views on the proposed new funding system in the context of local services.

## **2. SUMMARY COMMENTS**

- 2.1 Before responding to the specific questions posed in your consultation paper, we wish to make the following comments to summarise the key points in our submission.
- 2.2 We are pleased that the Government recognises the importance of the funding of supported housing. However, the funding regime proposed falls short of what is needed and puts at risk existing and future provision.
- 2.3 We recognise the need for a national framework and would support a workable, simple system that delivers certainty, fair outcomes and value for money alongside statutory duties to provide for existing and future demand at the local level.
- 2.4 Regrettably, a local top-up of housing benefit as proposed does not achieve this. The metric used to set the Local Housing Allowance (LHA) cap does not take into account the specialist nature of supported housing and the costs of developing and maintaining our assets. It creates major risks to existing and future provision, significant inequalities for service users and additional complexities and resourcing issues that will constrain value for money.
- 2.5 If we are to continue to sustain and develop much needed supported housing we require greater surety that our essential housing costs will be covered, not least to satisfy lenders wishing to invest in development. The devolved top up arrangement erodes this surety and whilst we understand the principle behind the localised arrangement we believe that the proposed funding system should be based around a new national Supported Housing Allowance (SHA) and cap that reflect the true cost of developing and maintaining supported housing.
- 2.6 Supported housing costs are broadly similar around the country. Linking their rents to the LHA would create variable funding gaps for similar cost schemes (with a particular North v South divide), would result in discriminatory outcomes for existing residents as a result of a postcode lottery approach to top-up funding and would act as a deterrent to the planning of new schemes other than in high-value areas.
- 2.7 We therefore call on Government to abandon the LHA link and replace it with a national SHA that would level the geographical differences and better reflect the true costs of provision. Providing the SHA was set at an appropriate level,

this would require only limited top-up for approved higher cost schemes. The alternative option would be for the Government to accept that supported housing rents are by their nature higher than those for general needs tenancies and to agree that funding via the benefits system is paid at source at a higher level than the LHA rate where needed, without need for top-up applications.

- 2.8 We also have major concerns about the impact of the proposed system on older people who make up 71% of those occupying supported housing. This includes the hundreds of thousands of people living in sheltered housing whose rents tend to be lower than in other supported housing but will still be over the LHA level in large parts of the country. We do not believe that the Government intends to cause untold anxiety for older people by removing the certainty that their income will cover the costs of their home. Whilst we want to avoid a complex set of different arrangements, this is an example of why it is not appropriate to lump all so-called “supported housing” into one pot.
- 2.9 It is not only sheltered housing that needs a different approach. All forms of non-permanent accommodation, including emergency hostels, require separate treatment. And specialised supported housing that has by definition been provided without significant capital subsidy needs to have a continued exemption within any new system. This category of accommodation is currently exempt from the rent setting framework and from the requirement to reduce rents by 1% per annum up to 2019.
- 2.10 Long-term certainty for the future funding of supported housing does not mean a couple of years. Schemes are built with loan finance typically repaid over 30 years and the future protection of the thousands of vulnerable residents in them should not be subject to risk as Governments come and go.
- 2.11 Finally, local authorities (LAs) tell us that they do not have capacity to distribute the proposed top up funding. We are concerned therefore that unnecessary administrative costs will result and that this will not result in good value for money. Any reliance on LAs to make a new system work fairly must be accompanied by resources to cover transactional and implementation costs. The government has promised to retain the current level of investment in supported housing and any additional costs should therefore be met from outside current spend. There are parallels here with other policy areas where Government has accepted the need for additional resources, for example to

enable LAs to implement duties in the Homelessness Reduction Bill when enacted. Additionally, there is a strong case for legislation to protect any agreed local funding pot given the trend for ring-fenced budgets to disappear. Without that, funds could be redirected by LAs to ease pressures on their ability to deliver other statutory services.

2.12 It is in this context that our replies to your specific consultation questions should be read. These include reiteration of our key messages as needed.

### 3. RESPONSE TO CONSULTATION QUESTIONS

#### KEY ISSUE ONE:

**Fair access to funding, the detailed design of the ring-fence and whether other protections are needed for particular client groups to ensure appropriate access to funding, including for those without existing statutory duties.**

<b>Consultation Q1:</b>
The local top-up will be devolved to local authorities. Who should hold the funding; and, in two tier areas, <b>should the upper tier authority hold the funding?</b>
<b>PlaceShapers Response</b>
Lower tier authorities currently have responsibility for housing strategy and housing delivery and usually lead in relation to homelessness provision. Administering the top up at this level would help to ensure effective links between the strategic planning for new provision and the ongoing funding of supported housing provision.
On the other hand, the majority of support and care services which are delivered in supported housing are commissioned at upper tier level, for example adult social care authorities lead in relation to supported living accommodation for learning disabled adults.
There are also some current and potential linkages between supported housing and health services. For example, some care services for learning disabled adults and adults with mental health issues are commissioned by health trusts or CCGs.
So there are pros and cons of either approach and it is important to note that the new devolved authorities may develop their own new ways of operating.
It is also vital to keep in mind that whilst much supported housing has been commissioned by public authorities, some schemes have resulted from independent action by charities, other voluntary organisations and housing providers. Any new

funding arrangements for essential associated housing costs must take account of and encourage this diversity and this will become more – not less – important at a time when the capacity which many public bodies have for strategic planning is reducing.

The key issue for us is whether funding should be devolved to LAs at all and we feel it important to stress our concerns here:

- Many of our LAs no longer have supported housing / supporting people expertise. We therefore worry that they will struggle to commission effectively without internal champions who understand the wider benefits of supported housing on the health and social care system. There is a risk that it will be difficult to apply any ringfence fairly when knowledge of supported housing is so weak. With the proposed top-up funding not being an entitlement but depending on LA discretion, this creates an added layer of risk and uncertainty for providers and their tenants.
- The 2016 ADASS report highlights that LAs are already under significant pressure. It makes for stark reading with, for example, 92% of Directors predicting they won't be able to meet statutory duties next year despite over £940m adult social care savings already being applied this year. Having run out of "efficiency" gains, they are now planning for cuts to services. In particular, these will have a direct impact on older people with 95% of Directors predicting that quality of service will suffer as providers run into financial difficulty. In this context it is very difficult to see how LAs could also absorb the proposed new top-up responsibilities for supported housing and we know that our LA partners share these concerns. Furthermore, as we explain more fully in Q4 below, there is a real danger that funds specifically allocated to cover rent and service charges in supported housing will be reallocated by LAs to prop up statutory services in the event of the proposed ring-fence being removed. Legislation to protect any funds to be allocated locally will need serious consideration.
- It is not clear how transactional costs of applying the new top up arrangement will be met. Anecdotally our LA colleagues tell us that these are likely to be high as administering the new system does not fit easily with existing processes and will require new infrastructure. (See also Q6 below.)

**Consultation Q2:**

How should the funding model be designed to maximise the opportunities for local agencies to collaborate, encourage planning and commissioning across service boundaries, **and ensure that different local commissioning bodies can have fair access to funding?**

**PlaceShapers Response**

We do not consider this question to be relevant to this consultation. The proposed funding pot is existing money for the essential housing costs associated with supported housing as currently provided. It is not, for example, new funding for Care Commissioners to access. Whilst we fully understand and support the need for integrated services at the local level, such integration is not achieved with funding models alone.

We therefore challenge the assumption that any new architecture to administer the proposed devolved top-up can drive this level of integration. The integration of health and social care budgets has made extremely slow progress due to the complex political tensions that serve as a barrier. We believe it would be naïve to assume that adding supported housing spend to the local funding mix and applying a new top-up allocation will crack the nut of integrated funding.

We are focussed on accommodation-based supported housing services. Any new funding system must be focussed on sustaining existing provision and enabling future demand to be met. It should be tested to ensure fairness of access for all in need wherever they live and fairness to existing providers who have invested in schemes to meet LA needs. The funding structure must ensure existing schemes that provide for identified needs are not at risk of closure. The drive for integration of service commissioning and delivery, whilst hugely important, is a separate matter.

**Consultation Q3:**

How can we ensure that **local allocation** of funding by local authorities matches local need for supported housing across all client groups?

**PlaceShapers Response**

The short answer to this question is that you can't if you persist with use of the LHA cap as the funding benchmark. There are varying support needs around the country but essential housing costs are similar where grant funding has been provided and do not correlate with a system linked to local housing market values. The proposed system will mean some tenants continuing to have all their housing costs met by the

benefit system but others having to rely on a localised discretionary top-up system to cover those same costs.

A new national SHA is needed instead coupled with long term funding certainty for existing and future schemes. Need should be assessed on the basis of a national framework and the wider preventative benefits of housing-based support. “Long-term” should mean the length of standard loans accessed to build such schemes.

A legal obligation to produce local supported housing strategies in consultation with providers should be considered. These would comprehensively map current provision and future need. Funding should be guaranteed to deliver approved strategies with existing tenants protected from any changes to their entitlements.

**Consultation Q4:**

Do you think **other funding protections for vulnerable groups**, beyond the ring-fence, are needed to provide fair access to funding for all client groups, including those without existing statutory duties (including for example the case for any new statutory duties or any other sort of statutory provision)?

**PlaceShapers Response**

The concept of a “ring fence” for any type of government funding these days is not one that inspires confidence given that the trend has been for these over time to be removed. Not surprisingly therefore, in the light of our experience with the previously ring-fenced “Supporting People” budget, we are concerned that the proposed funding ring-fence may not last. In that event, LAs are very likely to redirect existing funding to schemes that support their statutory duties at the expense of other users, particularly given the extreme pressures they are under in respect of adult social care responsibilities. Adding further statutory duties for specific groups on a piecemeal basis and without adequate funding will not protect the needs of vulnerable groups. As a result there is a case for legislation to ensure the funding pot does not disappear.

As we have already said, what is needed is a long-term guarantee for protected funding across all scheme types with safeguarding processes to ensure the implications of potential scheme closures are understood and current tenants are protected. Our answer to Q3 suggests a statutory obligation to produce comprehensive local supported housing strategies linked to guaranteed funding and the importance of preventative services. Clearly, there will be a need for national

strategies and / or central government guidance to provide appropriate frameworks within which local strategies would be prepared. For example, the “Transforming Care for People with Learning Disabilities” strategy clearly lays out the government’s commitment to improve services for people with learning disabilities and / or autism. In future such strategies should make clear the role of local supported housing strategies in helping to address such issues.

**KEY ISSUE TWO:**

**Clarifying expectations for local roles and responsibilities, including what planning, commissioning and partnership arrangements might be necessary locally.**

**Consultation Q5:**

What expectations should there be for **local roles and responsibilities**? What planning, commissioning and partnership and monitoring arrangements might be necessary, both nationally and locally?

**PlaceShapers Response**

We have called for a new national framework to determine the setting of a new national SHA based on actual and predicted need and actual costs. We have also suggested that current and future need would be best determined via comprehensive supported housing strategies produced at the local level. Funding levels linked to these strategies could have an agreed cap to control future increases.

This would be a credible alternative to the postcode lottery that will result from a cap linked to the completely inappropriate Housing Benefit LHA and would provide a model for use consistently nationwide.

Organisational roles and responsibilities would require further detailed consideration. Logically this could involve a national joint committee with representation from key interest groups (CLG, DWP, DoH, MoJ, LGA, etc.) to oversee the setting of the new national assessment and funding framework (including an annual resetting of investment levels) together with local Supported Housing Boards comprising commissioners and providers responsible for agreeing local strategies and overseeing the distribution of funding. National guidance should make clear Government’s understanding of the important role supported housing has in providing preventative services, thus reducing demand on other public services such as hospitals.

**Consultation Q6:** For local authority respondents:

What **administrative impact and specific tasks** might this new role involve for your local authority?

**PlaceShapers Response**

Whilst this question is directed at LA respondents only we feel the need to make some comment as a result of our conversations with LA partners.

They tell us that implementing the new system will require the creation of new architecture (systems, processes, staffing etc.), as they do not have capacity to distribute the proposed top-up funding.

Any reliance on LAs to distribute supported housing funding fairly must be accompanied by reassurance on how the transactional costs of implementing the new system will be met. The government has promised to retain the current level of investment in supported housing and we believe that any transactional costs will need to be met from outside of current spend. As already mentioned, there are parallels here with other policy areas where Government has accepted the need for additional resources, for example to enable LAs to implement duties in the Homelessness Reduction Bill when enacted.

There is also a wider point we wish to stress, and that is to reiterate our grave concerns about the postcode-lottery implications of a proposed system linked to the LHA cap. The reality of this flawed approach will be that LAs in more affluent parts of the country where market rents are higher and supported housing costs fall within the LHA cap will not need to concern themselves with the new system and will not have the resourcing issues that will arise for LAs affected. The perverse and potentially discriminatory outcome for supported housing residents will be that - for example - a pensioner living in a scheme in Stockton in the North East where the gap between their rent and the LHA cap is £83.78 will depend on discretionary LA top-up funding to cover this whereas a pensioner living in similar housing with similar costs in, for example, Croydon or Sevenoaks will not.

### KEY ISSUE THREE:

**Confirming what further arrangements there should be to provide oversight and assurance for Government and taxpayers around ensuring value for money and quality outcomes focussed services.**

#### Consultation Q7:

We welcome your views on what features the new model should include to provide **greater oversight and assurance** to tax payers that supported housing services are providing value for money, are of good quality and are delivering outcomes for individual tenants?

#### PlaceShapers Response

Our sector understands the need to compare and contrast costs and quality outcomes and the need to drive improving value for money (VfM). Our regulatory framework supports this. We have embraced the need to drive down costs and are delivering year-on-year efficiencies, as HouseMark confirm. We use a variety of tools to support this, including those to assess social value outcomes, and are piloting new assessment metrics this coming year.

We do not believe any greater regulatory focus on the value of housing association provision of supported housing is required. Our work to improve efficiency includes continuously reviewing the costs of providing supporting housing and doing more for less grant received. Additionally, our marketplace operates in a way that drives such reviews. We have ongoing contract and fee negotiations with our commissioning partners and have absorbed a series of cuts as funding pressure has intensified for LAs. Many of our contracts with LAs and CCGs are subject to retender and therefore we are tested on our ability to offer VfM in competition with the market.

In terms of quality outcomes it may well be that these are higher for housing association providers than in the private sector where the profit motive places additional pressures on resources. Consequently, it is this type of provision that could be subject to greater regulation. Nevertheless, we recognise the importance to Government of the need to provide assurance that publicly funded supported housing provides VfM, is of good quality and is delivering necessary outcomes for tenants. In this context, future funding bodies, whoever they may be, could be duty bound to compare costs and assess VfM. This will enable outliers to be identified at the local level and costs to be challenged if they appear high when compared with alternative provision options.

## KEY ISSUE FOUR:

**Exploring the appropriate balance between local flexibility and provider certainty, including what other assurance can be provided beyond the ring-fence, for developers and investors to ensure a pipeline of new supply.**

### Consultation Q8:

We are interested in your views on how to strike a balance between local flexibility and provider/developer certainty and simplicity. What features should the funding model have to provide **greater certainty to providers** and in particular, developers of new supply?

### PlaceShapers Response

We again reiterate our key messages regarding the need for long-term surety of funding for existing schemes and the non-viability of future schemes without guaranteed long-term revenue finance.

The LHA cap linked proposed new funding regime will not provide this certainty. Instead, as already covered in preceding questions, we need:

- Government to accept that the link with the LHA cap for supported housing rents is not appropriate and should be replaced by a new national SHA and cap.
- Agreement that a replacement funding system should be rolled out within the context of a new national framework that protects current provision and ensures funding is available for future needs according to jointly agreed local strategies.
- Long-term guarantees of protected funding for schemes and additional implementation resources for LAs to ensure that transactional costs are met separately from those required for essential housing costs.
- No duplication of assessment.
- Exemption of “specified” supported housing schemes together with a revised approach for sheltered housing and non-permanent housing schemes.
- A growing funding pot to account for inflation and future demand as well as protection of existing supply.

Without this surety, providers and their funders will not be able to take the risk of developing new schemes and will need to consider decommissioning existing

provision. We have members around the country who have put on hold new developments of supported housing despite in-principle allocations of funding. Without certainty of long-term revenue funding these members will be unable to commit to building these much needed schemes. Some examples follow:

- In the East Midlands, our member CEO tells us he has plans for a 60 unit extra care scheme with total scheme costs of £10m. This has support from the local authority, which was willing to contribute over £1m to the scheme, and there was in principle support from the HCA for funding from the SOAHP 2016-21 programme. However, the current uncertainty surrounding long-term revenue funding with the potential need for discretionary top-up payments to residents for housing costs above the LHA has meant the association has not been able to commit to the scheme.
- In Kent, one of our member CEOs tells us that his association could be significantly out of pocket on 218 extra-care units for older persons they have just taken handover of. They, and others across the county, want to do more, but without certainty of future revenue funding “the Kent Social Care Accommodation Strategy ambition to build 3,450 new extra care units over 15 years is dead in the water.”

**Consultation Q9:**

Should there be a **national statement of expectations or national commissioning framework** within which local areas tailor their funding? How should this work with existing commissioning arrangements, for example across health and social care, and how would we ensure it was followed?

**PlaceShapers Response**

We have expressed our support already for a new national framework to oversee the planning and distribution of supported housing funding according to locally produced strategies. Please see answers to previous questions.

There are two key riders to this support:

1. Firstly, that essential housing costs attached to scheme provision are based on a new SHA applied nationally instead of being linked to the LHA as currently envisaged; and
2. Secondly, that essential housing costs are protected and guaranteed through this new SHA rather than being added to other Care and Support budgets. Ipsos Mori

estimated that £4.12bn spent on supported housing was from HB to cover essential housing costs and £2bn was from LAs and other sources for support needs. The combined funding going forward needs to ensure that this £4.12bn (or a more accurate updated figure), plus additional funding to meet future needs, is protected and returned to housing providers to cover essential housing costs.

**Consultation Q10:**

The Government wants a **smooth transition** to the new funding arrangement on 1 April 2019. What transitional arrangements might be helpful in supporting the transition to the new regime?

**PlaceShapers Response**

We were extremely concerned that belatedly the government chose to announce that the new system would apply to all existing tenants as well as new tenants from 2019 as this puts existing provision at serious risk. More importantly it is causing unnecessary concern for hundreds of thousands of tenants in supported and sheltered housing who face losing benefits to cover their rent.

We therefore ask that this change be reversed so that existing tenants are fully protected across the country. If this is not forthcoming, we would welcome understanding of how Government will explain to voters living in similar accommodation with similar costs why those whose schemes happen to be in low demand areas will have to rely on discretionary top-up funding to cover their rent when those living elsewhere will not. This will not seem fair to them or their families.

To achieve a smooth transition to any new system requires existing costs to be protected with long-term guarantees that this will not change. Any gap funding should go straight back to providers to achieve this.

Given the risks attached to the new system we would urge consideration of a phased implementation rather than a big bang in 2019/20. As with UC this would involve published rollout dates from 2019 with pauses whilst lessons are learnt from pilot areas. The proposal as it stands is fraught with risk and getting everyone pointing in the same direction in the current climate will be a real challenge. We believe a pilot is critical to test whether any new model is achievable and to mitigate the risk that we push forward with a national system that is unworkable for the sector and causes unnecessary hardship for tenants. How best to pilot the finally agreed new funding system will require further consideration.

**Consultation Q11:**

Do you have **any other views** about how the local top-up model can be designed to ensure it works for tenants, commissioners, providers and developers?

**PlaceShapers Response**

Yes. A few key principles sum up our views and reflect the points made throughout this response:

- Keep it simple and pilot any new model before general implementation.
- Beware the unintended consequences of a postcode lottery. Make it one national scheme linked to a new SHA rather than the LHA.
- Apart from the specific types of need we have highlighted (sheltered housing, specialised supported housing, non-permanent housing etc.), any new model should avoid a complex set of different arrangements for different types of supported housing in different geographies. This will be costly to administer and will not work for providers or commissioners of a diverse range of services.
- Recognise that much of the existing funding architecture works but that controls and oversight may need to improve to provide the government with the reassurance needed.
- Ensure that the funding of essential housing costs is guaranteed within any new system in order to protect existing residents and to ensure funders have the confidence to invest in new supported housing development thus reducing demands on higher cost alternatives.

**KEY ISSUE FIVE:****Developing options for workable funding model(s) for short-term accommodation, including hostels and refuges.****Consultation Q12:**

We welcome your views on how **emergency and short term accommodation** should be defined and how funding should be provided outside Universal Credit. How should funding be provided for tenants in these situations?

**PlaceShapers Response**

We recognise the value in applying a different approach to non-permanent housing generally and consider it important that the definition of emergency and short-term

accommodation within this is sufficiently flexible to cover the sector's diversity.

The length of time that individuals live in short-term accommodation can vary hugely, for a number of reasons, including their own support needs and the availability of appropriate move-on accommodation. The definition, therefore, should focus on the intended use rather than a maximum period of stay. As a result we ask the Government to explore further how to remove housing costs from UC for non-permanent housing. Without this, revenue funding will be insecure and subject to short-term decision making on a case-by-case basis. Cash shortfalls will lead to scheme closures and there will be no appetite for developing new schemes.

In the case of emergency shelter for those often in danger or at serious risk, the last thing that service users should have to worry about is covering the costs. Funding for this and for other forms of non-permanent accommodation should go direct to providers on a scheme-by-scheme rather than individual basis to ensure the service is available immediately and to acknowledge the transitional nature of such provision.